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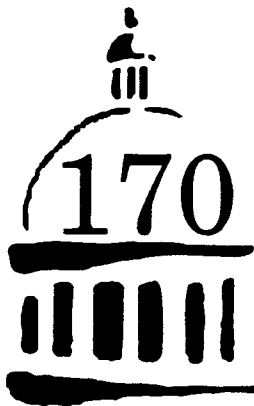
Property Taxes. Schools. Development-Fee Limits.

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**Property Taxes. Schools. Majority Vote.
Development-Fee Limits.
Legislative Constitutional Amendment.**

Official Title and Summary Prepared by the Attorney General

**PROPERTY TAXES. SCHOOLS. MAJORITY VOTE.
DEVELOPMENT-FEE LIMITS.
LEGISLATIVE CONSTITUTIONAL AMENDMENT.**

- Authorizes ad valorem tax or special assessments on real property to exceed 1% limit to repay bonds approved by majority vote (rather than current two-thirds) in school districts, community college districts and counties, to construct, reconstruct, or rehabilitate schools.
- Authorizes majority approval (rather than current two-thirds) for general obligation bonds of school districts, community college districts and counties, to construct, reconstruct, or rehabilitate schools, including purchasing land, furnishings and equipment.
- Limits local authority to levy school-facilities fees on housing and commercial developments, even if statewide school-facilities bond proposition fails.

**Summary of Legislative Analyst's
Estimate of Net State and Local Government Fiscal Impact:**

- Probable annual savings to the state General Fund of several hundred million dollars, in future years, as a result of fewer statewide bond measures for school facilities.
- Probable increased costs of a similar amount for local K-12 schools and community colleges to pay for school facilities that otherwise would have been paid for by the state. These additional costs would vary by individual district.

Final Votes Cast by the Legislature on ACA 6 (Proposition 170)

Assembly: Ayes 54	Senate: Ayes 30
Noes 24	Noes 7

Analysis by the Legislative Analyst

Background

The California Constitution limits property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

What Is Bond Financing? Bond financing is a type of long-term borrowing. State and local governments get money "up front" by selling bonds to investors. They then pay the investors back the loaned amount plus interest, usually over a 20- to 30-year period. For local government bonds, these payments are generally financed by local taxes or fees.

K-12 School Facilities. California public school facilities are the responsibility of 1,011 school districts and 58 county offices of education. The state, however, has provided a significant portion of the funding for these facilities through the state schools facilities program. This program has been funded with \$6.8 billion in state general obligation bonds approved by the voters since 1986. When all these bonds are sold, the state's debt service costs on these bonds will be about \$600 million annually. Under existing law, passage of this measure would result in the repeal of most of the state school facilities program in 1996.

In addition to the state bonds, funding for school facilities has been provided from a variety of other sources since 1986, including:

- School district general obligation bonds—\$3.1 billion.
- Special local bonds (known as "Mello-Roos" bonds)—\$1.2 billion.
- Fees that school districts charge builders on new residential, commercial, and industrial construction—over \$2 billion.

Currently, builder fees are limited to \$2.65 per square foot on residential buildings and 27 cents per square foot on commercial and industrial buildings. Under existing state law, these fee limits would be removed if a state general obligation bond for school facilities is not approved by a majority of voters participating in a statewide election.

There is no district-by-district estimate on the future costs of school facilities. The state Department of Finance estimates that the number of students attending K-12 schools will increase by 1 million over the next five years. Based on this enrollment estimate and average historical costs, about \$12 billion will be needed statewide for new school facilities over the next five years. In addition, about \$2 billion to \$3 billion will be needed for reconstruction or modernization of existing school facilities, including air conditioning schools that operate year-round.

Community College Facilities. The California Community Colleges includes 107 campuses operated by local districts throughout the state. The construction

and reconstruction of community college facilities are funded mainly by state bonds. Since 1986, the state has provided about \$1.1 billion in state bond funds for community college projects. When all of these bonds are sold, the state's debt service costs on these bonds will be around \$90 million annually. District expenditures for facilities are unknown. The districts have identified a total of about \$2.5 billion that will be needed statewide for community college facilities over the next four years.

Proposal

This constitutional amendment would allow (1) school facilities bond measures to be approved by a *majority* (rather than *two-thirds*) of the voters in local elections and (2) property taxes to exceed the current 1 percent limit in order to repay the bonds. For the purposes of this measure, school facilities include the construction, reconstruction, and modernization of schools, as well as buying land for school purposes by a school district, county office of education, or a community college district.

Builder Fees. Under this measure, the limits on builder fees would remain in effect even if a state general obligation bond for school facilities fails to be approved by a majority of voters in a statewide election.

Fiscal Effect

Approval of this constitutional amendment would result in a shift of primary funding responsibility for school facilities from the state to local districts. As noted above, under existing law, the state's school facilities program would be greatly reduced should this measure pass. Furthermore, approval of this measure would significantly increase the likelihood that local general obligation bond measures for school facilities would be approved by voters. For example, since 1986, 145 general obligation bond measures proposed by school districts have failed to receive the required two-thirds majority vote for approval. However, 123 of these bond proposals (84 percent of the failed measures) received more than a majority vote.

Assuming that fewer state bond measures would be needed to fund school facilities, the state would realize annual savings in debt service costs of several hundred million dollars in future years. These savings would be offset slightly by additional state costs related to existing state property tax relief programs.

On a *statewide* basis, local district costs for debt service on general obligation bonds would increase by an amount similar to the state's savings. The additional costs for an *individual* school district or community college district would be dependent on several factors, including the condition of existing facilities, changes in academic programs, changes in the number of students attending classes, and the level of bonds approved by voters in local elections.

For text of Proposition 170 see page 40

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Property Taxes. Schools. Majority Vote. Development-Fee Limits. Legislative Constitutional Amendment.

Argument in Favor of Proposition 170

California continues to experience rapid enrollment growth in its public schools.

In addition, most schools are 30, 40, and 50 years old. These school buildings should be updated and renovated to protect the taxpayers' investment and provide a modern learning environment for our children.

Proposition 170 would require that local school districts obtain a majority vote in order to issue general obligation bonds to build new schools, update old schools and improve the safety of existing schools.

Finally, many schools should be examined and reinforced to ensure that they can withstand earthquakes, even beyond what current standards require.

General obligation bonds have long been the most common way for local schools to be built. But the two-thirds vote requirement has meant that one voter can checkmate two by voting against a bond issue. We should abide by the democratic principle of one person one vote. A majority vote is fiscally responsible and allows the public's needs to be fulfilled.

Proposition 170:

- Creates jobs
- Stimulates the economy
- Protects the taxpayers' investment in schools
- Helps restore local decision-making and frees voters from state control
- Helps local communities keep pace with the need for new schools including community colleges
- Helps reduce class size and ease overcrowding in school classrooms

- Makes California's policy consistent with that of 46 other states which approve local bonds for schools with a majority vote

That's why Proposition 170 is supported by:

- The League of Women Voters of California
- California Chamber of Commerce
- California State Parent Teachers Association (PTA)
- Congress of California Seniors
- California School Boards Association
- California Building Industry Association
- Bipartisan support in the State Legislature
- California State Board of Education
- Peace Officers Research Association of California
- California Teachers Association

And thousands of educators, business people, community and state leaders.

A yes vote on Proposition 170 is a vote for local control.

A yes vote on Proposition 170 is a vote for our children's education.

A yes vote on Proposition 170 is a vote for California's future. PLEASE JOIN WITH THE LEAGUE OF WOMEN VOTERS OF CALIFORNIA AND THE PEACE OFFICERS RESEARCH ASSOCIATION OF CALIFORNIA (PORAC) IN SUPPORTING PROPOSITION 170.

VOTE YES ON PROPOSITION 170!

PAT DINGSDALE

President, California State PTA

HOWARD OWENS

Director, Congress of California Seniors

KIRK WEST

President, California Chamber of Commerce

Rebuttal to Argument in Favor of Proposition 170

Over the last five years, 48% of *ALL SCHOOL CONSTRUCTION BONDS* have passed with more than a $\frac{2}{3}$ vote. With a simple majority vote, 91% would have passed, dramatically raising property taxes on homeowners. THAT'S NINE OUT OF TEN AND IT'S JUST TOO MANY.

UNFAIR TO HOMEOWNERS

The powerful special interest groups supporting Proposition 170 have one thing in common: *THEY WANT TO INCREASE YOUR PROPERTY TAXES!*

They want to eliminate the current system which requires $\frac{2}{3}$ vote for school construction bonds, a system which has served us well for more than 100 years.

Proposition 170 will be **UNFAIR TO HOMEOWNERS** by allowing renters to increase property taxes that *THEY WON'T HAVE TO PAY!*

TAX LOOPHOLE FOR SPECIAL INTERESTS

Developers and public employee unions supporting Proposition 170 say it gives taxpayers "local control." They don't tell you about the law the Legislature already passed that will **PREVENT LOCAL GOVERNMENTS** from raising school

construction fees on **DEVELOPERS** if Proposition 170 is passed!

VOTE NO ON HIGHER TAXES

You are already being asked to pay higher income taxes, gasoline taxes, social security taxes and energy taxes to pay off the federal debt. Now is the worst possible time for a big increase in property taxes to pay for the vast new debt that will be created by Proposition 170.

PROPOSITION 170 WILL OPEN A FLOODGATE OF NEW DEBT AND HIGHER PROPERTY TAXES! THAT WILL FURTHER DAMAGE THE ECONOMY AND CAUSE US TO LOSE JOBS!

VOTE NO ON PROPOSITION 170!

JOEL FOX

President, Howard Jarvis Taxpayers Association

ROSS JOHNSON

Member of the California State Assembly

RICHARD H. CLOSE

President, Sherman Oaks Homeowners Association

**Property Taxes. Schools. Majority Vote.
Development-Fee Limits.
Legislative Constitutional Amendment.**

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Argument Against Proposition 170

**PROPOSITION 170 WILL RAISE YOUR
PROPERTY TAXES IN THE FUTURE**

Vote **NO** on Proposition 170. If passed, Proposition 170 will increase your property taxes, again and again.

Based on the results of past elections, **THIS MEASURE WOULD RESULT IN THE PASSAGE OF NINE OUT OF TEN SCHOOL CONSTRUCTION BONDS!** The result will be an endless series of property tax increases on homeowners.

Proposition 170 will mean 50% of those voting can pass a local general obligation bond, which is only paid off by property taxpayers. In some of these elections, only 10% vote. So if Proposition 170 passes, as few as 5% of the registered voters could pass a 30-year increase in the property taxes on your home! **THE TWO-THIRDS VOTE REQUIREMENT IS NECESSARY TO PREVENT PROPERTY OWNERS FROM BEING OUTVOTED IN BOND ELECTIONS.**

ONLY PROPERTY OWNERS WILL PAY THE TAX

Proposition 170 will make it easy for renters to outvote property owners and approve school construction bonds which are then paid for entirely by property owners through higher property taxes. The renters pay not one cent of the tax they vote for and can pass, if Proposition 170 is adopted.

A general obligation bond is the first lien against property. That means if you can't afford to pay the tax placed against r property you could lose your home.

**A NO VOTE ON PROPOSITION 170
PROTECTS HOMEOWNERS**

California has required the two-thirds vote for local bonds since 1879. The two-thirds vote did not halt the phenomenal

growth of California over the past century. **THE TWO-THIRDS VOTE JUST PROTECTS HOMEOWNERS.**

Bonds often get passed with a two-thirds vote when there is a real need for the money. Over the last five years, 42% of all local general obligation bonds on the ballot passed with a two-thirds vote, even during the recession. Passing 42% of all the bonds proposed is more than enough!

**PROPOSITION 170 IS A TAX LOOPHOLE
FOR DEVELOPERS**

Who wants Proposition 170 passed? Well, under current law, real estate developers are required to pay much of the cost of new school construction through development fees.

Now, here's a dirty little secret: The State Legislature passed a law (SB 1287) which will limit development fees if Proposition 170 is passed.

Proposition 170 is not a vote for better education. It is a tax shift from developers to homeowners. It virtually guarantees that every bond placed on the ballot by the politicians, and paid for by increases in your property taxes, will be passed.

SUPPORT PROPOSITION 13 PROPERTY TAX LIMITATIONS!

VOTE NO ON HIGHER PROPERTY TAXES!

VOTE NO ON PROPOSITION 170!

JOEL FOX

President, Howard Jarvis Taxpayers Association

ROSS JOHNSON

Member of the California State Assembly

RICHARD H. CLOSE

President, Sherman Oaks Homeowners Association

Rebuttal to Argument Against Proposition 170

DON'T BE FOOLED

Proposition 170 does **NOT** raise your taxes. That's the fact. Proposition 170 simply gives local voters greater local control over local school bonds. Nothing more. Nothing less.

PROPOSITION 170 IS ABOUT LOCAL CONTROL

It's time to turn decisions about school construction back to local voters while maintaining all other Proposition 13 taxpayer protections. Proposition 170 allows local voters to approve school bonds by a majority vote to build new schools and fix old ones.

TAKE FUNDING CONTROL AWAY FROM STATE GOVERNMENT AND GIVE IT BACK TO LOCAL VOTERS.

HERE ARE THE FACTS

- Local schools need more teachers and more classrooms.
- There are more than 5 million children in California public schools. 180,000 new children enter our schools every year. Our economy depends on providing them with adequate schools.
- When we build needed schools, thousands of jobs are created.
- Many schools are over 40 years old and need renovation.
- Many other schools need to be examined and reinforced to withstand earthquakes.

- Before 1978, most local school facilities were financed by local bonds. Since 1978, the state politicians have taken over financing *and control* of most public school construction.
- We need to return to greater local control of local school bonds.
- In these difficult economic times we need to be "smarter" with how we finance and build schools.

Join the:

- California Chamber of Commerce
- PTA
- Congress of California Seniors

Vote Yes for jobs.

Yes for our children.

Yes for all Californians.

Vote yes on Proposition 170.

MARLYS ROBERTSON

President, League of Women Voters of California

JACK HENNING

Executive Secretary, California Labor Federation/AFL-CIO

SKIP MURPHY

President, Peace Officers Research Association of California (PORAC)

Proposition 169: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 32 (Statutes of 1992, Resolution Chapter 114) expressly amends the Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE IV, SECTION 9

SEC. 9. A (a) *Except as provided in subdivision (b), a statute shall embrace but one subject, which shall be expressed in its title. If a statute embraces a subject not expressed in its title, only the part not expressed is void.*

(b) *One statute enacted during each calendar year of the biennium of the legislative session may embrace more than one subject if the statute makes changes in law that*

are directly related to the implementation of the appropriations in the Budget Act enacted that year; the fact is expressed in its title, and the bill that enacts the statute is presented to the Governor at the same time as the bill that enacts the Budget Act. If the statute makes a change in law that is not directly related to the implementation of one or more appropriations in the Budget Act, that change is void. The Governor, while approving other portions of the bill that enacts the statute, may eliminate one or more changes in law. Changes in law eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills.

(c) A statute may not be amended by reference to its title. A section of a statute may not be amended unless the section is re-enacted as amended.

Proposition 170: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 6 (Statutes of 1992, Resolution Chapter 135) expressly amends the Constitution by amending sections thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII A, SECTION 1 AND ARTICLE XVI, SECTION 18

First—That Section 1 of Article XIII A thereof is amended to read:

Section 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed ~~One one~~ percent (1%) of the full cash value of such property. The one percent (1%) tax ~~to shall~~ be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on ~~(1) any of the following:~~

(1) *Any indebtedness approved by the voters prior to July 1, 1978, or.*

(2) ~~any~~ *Any bonded indebtedness, not subject to paragraph (3), for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.*

(3) *Any bonded indebtedness incurred by a school district, county office of education, or community college district for the construction, reconstruction, or rehabilitation of school facilities, including the furnishing and equipping thereof, or the acquisition of real property therefor, approved by a majority of the voters voting on the proposition on or after the day after the date of the election at which Assembly Constitutional Amendment 6 of the 1991-92 Regular Session is approved.*

(c) *No ad valorem tax levied pursuant to subdivision (b) shall be deemed a special tax for purposes of this article.*

(d) *Section 65997 of the Government Code, as that section read on the effective date of this subdivision, has no force or effect.*

Second—That Section 18 of Article XVI thereof is amended to read:

SEC. 18. (a) No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for ~~such that~~ that year, without the assent two-thirds of the ~~qualified electors~~ voters thereof, voting at an election to be held for that purpose, except that, with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing, or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the ~~qualified electors~~ voters of the public entity voting on the proposition at ~~such the~~ election; nor unless, before or at the time of incurring ~~such the~~ indebtedness, provision shall be made for the collection of an annual tax sufficient to pay the interest on ~~such the~~ indebtedness as it falls due, and also provision to constitute a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the ~~same~~ indebtedness; provided, however, anything to the contrary herein notwithstanding, when two or more propositions for incurring any indebtedness or liability are submitted at the same election, the votes cast for and against each proposition shall be counted separately, and when two-thirds or a majority of the ~~qualified electors~~ voters, as the case may be, voting on any one of ~~such those~~ propositions, vote in favor thereof, ~~such the~~ proposition shall be deemed adopted.

(b) *Notwithstanding subdivision (a), on or after the day after the date of the election at which a majority of the voters voting in that election on Assembly Constitutional*

Amendment 6 of the 1991-92 Regular Session approve it, with respect to any school district, county office of education, or community college district, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, or rehabilitation of school facilities, including the

furnishing and equipping thereof, or the acquisition of real property therefor, shall be adopted upon the approval of a majority of the voters of the district or county, as appropriate, voting on the proposition at an election held for that purpose.

Proposition 171: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 41 (Statutes of 1992, Resolution Chapter 136) expressly amends the Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO SUBDIVISION (e) OF SECTION 2 OF ARTICLE XIII A

(e) (1) Notwithstanding any other provision of this section, the Legislature shall provide that the ~~base year~~ *base year* value of property which is substantially damaged or destroyed by a disaster, as declared by the Governor, may be transferred to comparable property, within the same county, that is acquired or newly constructed as a replacement for the substantially damaged or destroyed property.

(2) *Except as provided in paragraph (3), This this* subdivision shall apply to any comparable replacement property acquired or newly constructed on or after July 1, 1985, and to the determination of ~~base year~~ *base year* values for the 1985-86 fiscal year and fiscal years *hereafter*.

(3) *In addition to the transfer of base year value of property within the same county that is permitted by paragraph (1), the Legislature may authorize each county*

board of supervisors to adopt, after consultation with affected local agencies within the county, an ordinance allowing the transfer of the base year value of property that is located within another county in the State and is substantially damaged or destroyed by a disaster, as declared by the Governor, to comparable replacement property of equal or lesser value that is located within the adopting county and is acquired or newly constructed within three years of the substantial damage or destruction of the original property as a replacement for that property. The scope and amount of the benefit provided to a property owner by the transfer of base year value of property pursuant to this paragraph shall not exceed the scope and amount of the benefit provided to a property owner by the transfer of base year value of property pursuant to subdivision (a). For purposes of this paragraph, "affected local agency" means any city, special district, school district, or community college district that receives an annual allocation of ad valorem property tax revenues. This paragraph shall apply to any comparable replacement property that is acquired or newly constructed as a replacement for property substantially damaged or destroyed by a disaster, as declared by the Governor, occurring on or after October 20, 1991, and to the determination of base year values for the 1991-92 fiscal year and fiscal years thereafter.

Proposition 172: Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 1 (Statutes of 1993, Resolution Chapter 41) expressly amends the Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE XIII

SEC. 35. (a) *The people of the State of California find and declare all of the following:*

(1) *Public safety services are critically important to the security and well-being of the State's citizens and to the growth and revitalization of the State's economic base.*

(2) *The protection of the public safety is the first responsibility of local government and local officials have an obligation to give priority to the provision of adequate public safety services.*

(3) *In order to assist local government in maintaining a sufficient level of public safety services, the proceeds of the tax enacted pursuant to this section shall be signated exclusively for public safety.*

(b) *In addition to any sales and use taxes imposed by the Legislature, the following sales and use taxes are hereby imposed:*

(1) *For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all*

retailers at the rate of 1/2 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this State on and after January 1, 1994.

(2) *An excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer on and after January 1, 1994, for storage, use, or other consumption in this State at the rate of 1/2 percent of the sales price of the property.*

(c) *The Sales and Use Tax Law, including any amendments made thereto on or after the effective date of this section, shall be applicable to the taxes imposed by subdivision (b).*

(d) (1) *All revenues, less refunds, derived from the taxes imposed pursuant to subdivision (b) shall be transferred to the Local Public Safety Fund for allocation by the Legislature, as prescribed by statute, to counties in which either of the following occurs:*

(A) *The board of supervisors, by a majority vote of its membership, requests an allocation from the Local Public Safety Fund in a manner prescribed by statute.*

(B) *A majority of the county's voters voting thereon approve the addition of this section.*

(2) *Moneys in the Local Public Safety Fund shall be*